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**Company: Nike Inc.**

**Competitor: Lululemon Athletica Inc.**

## **Nike Pitchbook Appendix**

### **Description of the Business:**

Nike, Inc. (NYSE: NKE) is the world's leading designer, marketer, and distributor of athletic footwear, apparel, and equipment. The company operates through its diverse product lines, including Nike Brand, Jordan Brand, and Converse, generating revenue primarily from:

- **Footwear Sales:** Contributes over 60% of total revenue, with iconic lines like Air Max, Air Jordan, and Flyknit leading the market.
- **Apparel and Equipment:** Expanding its dominance in athleisure and performance wear, Nike's apparel business supports its sports innovation strategy.
- **Direct-to-Consumer (DTC) Sales:** Through Nike-owned stores and digital platforms, including the SNKRS app, the company has increased profit margins and customer engagement.
- **Global Endorsements and Collaborations:** Partnerships with top athletes, influencers, and cultural icons bolster brand recognition and exclusivity.

### **Description of the Industry Segment:**

Nike operates in the **\$400 billion global sportswear industry**, which has been growing steadily at a **6.5% CAGR** due to:

- **Health and Fitness Boom:** Increasing global awareness of fitness and wellness fuels demand for high-performance and stylish sportswear.
- **Athleisure Trend:** Consumers now prioritize comfort and versatility, making Nike's products staples in everyday fashion.
- **E-Commerce Growth:** The rapid expansion of online retail, mobile commerce, and social media marketing enhances Nike's digital strategy.
- **Sustainability Focus:** Growing consumer preference for sustainable and ethical brands aligns with Nike's eco-friendly initiatives like the "Move to Zero" campaign.

## **Competitive Advantage:**

Nike maintains a strong **competitive moat** through:

- **Innovation and R&D:** Cutting-edge technology in products, such as self-lacing Adapt sneakers and performance-boosting Vaporfly shoes.
- **Brand Power and Recognition:** The “Just Do It” slogan and the Swoosh logo are among the most recognizable global trademarks.
- **Athlete and Celebrity Endorsements:** Collaborations with superstars like LeBron James, Serena Williams, and Cristiano Ronaldo boost credibility and visibility.
- **Market Penetration:** Nike’s global footprint spans North America, Europe, China, and emerging markets, securing diversified revenue streams.
- **Supply Chain Efficiency:** Investments in digital and AI-driven inventory management enhance operational efficiency and reduce costs.

## **Growth Opportunities:**

Nike has **significant expansion potential**, including:

- **Emerging Markets:** The Asia-Pacific and Latin American regions present lucrative opportunities with increasing disposable incomes.
- **Women’s and Kids’ Segments:** Growing product lines tailored for female athletes and youth sports participants expand Nike’s consumer base.
- **Direct-to-Consumer (DTC) Growth:** Digital transformation and owned retail stores increase profit margins and brand loyalty.
- **Sustainable Innovation:** Nike’s focus on recycled materials and carbon-neutral products aligns with consumer demand and regulatory shifts.
- **New Product Categories:** Expansion into wearables and smart apparel (e.g., fitness trackers, sensor-equipped shoes) taps into the booming digital fitness industry.

## **Catalyst for Investment Opportunity:**

Nike’s **strong fundamentals and future catalysts** make it an attractive investment:

- **Financial Strength:** A **5-year CAGR of 7.3%** in revenue and a solid balance sheet provide long-term stability.
- **Valuation and Market Positioning:** Nike trades at a competitive price-to-earnings (P/E) ratio, with room for further growth in emerging markets.
- **Product Launches and Innovation Pipeline:** Consistent releases of technologically advanced footwear and apparel drive demand.

- **Sustainability Commitments:** Investors favor ESG-friendly companies, and Nike's eco-friendly initiatives position it as a responsible brand leader.
- **Resilience to Market Disruptions:** Nike's ability to adapt to economic downturns and supply chain disruptions proves its long-term investment value.

### **Lululemon (NASDAQ: LULU):**

While Nike dominates the global athletic market, **Lululemon (NASDAQ: LULU)** has established itself as a strong competitor in the premium athleisure segment:

- **Market Position:** Lululemon specializes in high-end yoga and fitness apparel, positioning itself as a lifestyle brand rather than just a sportswear company.
- **Revenue Model:** Unlike Nike's broad sports focus, Lululemon generates revenue primarily from its premium activewear and community-driven brand approach.
- **Strengths:**
  - Strong brand loyalty, particularly among female consumers.
  - High-margin DTC sales strategy through exclusive stores and e-commerce.
  - Expansion into men's apparel and footwear to capture a larger market.
- **Challenges:**
  - Smaller market share and limited global reach compared to Nike.
  - Heavy reliance on North American markets, making international expansion critical.
  - Faces increased competition from established giants like Nike and Adidas as they expand their women's and athleisure offerings.

### **Performance Metrics:**

Source: [Nike](#) and [Lululemon](#) 10-K 2024 Forms

### **Profitability Ratios:**

#### **Nike (NKE) 2024:**

\*Values in millions (\$)

- **Operating Profit Margin:**
  - **Formula:** Operating Profit / Net Sales
    - **Operating Profit** = Gross Profit - Total Selling and Administrative Expense
  - **Data:** Gross Profit: \$22,887 million, Total Selling and Administrative Expense: \$16,576 million

- **2024:** Operating Profit: \$ 6,311 million ; Net Sales: \$51,362 million
  - **Calculation:**  $\$6,311 \text{ million} / \$51,362 \text{ million} = 0.1229$ , or **12.29%** **(2024)**
  - Nike's operating profit margin in 2024 was 12.29%, meaning it earned about \$12.29 in operating profit for every \$100 in revenue after covering production and operating expenses. This shows that Nike remained profitable and managed costs effectively, but it also indicates that a substantial portion of revenue went toward expenses. Nike likely uses efficient cost management and pricing strategies to maintain and improve profitability moving forward.
- **Net Profit Margin:**
  - **Formula:** Net Profit / Net Sales
  - **Data:** Net Profit: \$5,700 million; Net Sales: \$51,362 million
  - **Calculation:**  $\$5,700 \text{ million} / \$51,362 \text{ million} = 0.1110$ , or **11.10%** **(2024)**
  - Nike's Net Profit Margin of 11.10% in 2024 means that for every \$100 in revenue, the company retained about \$11.10 as net profit after accounting for all expenses, including taxes and interest. This indicates that Nike was able to generate a solid profit from its sales, reflecting effective overall financial management. While the margin shows profitability, it also suggests that a significant portion of revenue went toward operating costs, taxes, and other expenses. Maintaining or improving this margin will depend on Nike's ability to control costs and sustain revenue growth.
- **Cash Flow Margin:**
  - **Formula:** Cash Flow from Operating / Net Sales
  - **Data:** Cash Flow from Operations: \$7.5 billion; Net Sales: \$51,362 million
  - **Calculation:**  $\$7,429 \text{ million} / \$51,362 \text{ million} = 0.1446$ , or **14.46%**
  - Nike's Cash Flow Margin of 14.46% in 2024 means that for every \$100 in revenue, the company generated about \$14.46 in operating cash flow. This indicates that Nike is effectively converting a significant portion of its revenue into cash from its core business activities. A strong cash flow margin is a good sign of Nike's ability to fund its operations, pay debts, and invest in future growth, highlighting its financial health and liquidity.
- **Return on Equity (ROE):**
  - **Formula:** Net Earnings / Stockholders' Equity
  - **Data:** Net Earnings: \$5,700 million; Shareholders' Equity: \$14,430 million
  - **Calculation:**  $\$5,700 \text{ million} / \$14,430 \text{ million} = 0.3950$ , or **39.50%**

- Nike's Return on Equity (ROE) of 39.50% in 2024 means that for every \$100 of shareholders' equity, the company generated \$39.50 in net income. This indicates Nike is using its equity efficiently to generate strong returns for investors. This high ROE suggests strong profitability and effective management, making Nike an attractive company for shareholders and potential new investors.
- **EBITDA:**  $6,311 + 796 + 48 = 7,155$
- **EBITDA Margins:**  $7,155 / 51,362 = 13.93\%$ 
  - Nike's EBITDA margin shows it retains about 13.93% of its revenue as earnings before interest, taxes, depreciation, and amortization.
- **Debt/EBITDA Ratios:**  $(1,000 + 7,903) / 7,155 = 1.24$ 
  - This ratio indicates that Nike's total debt is 1.24 times its EBITDA, suggesting a moderate level of debt relative to its earnings potential.

**Nike's 2024 profitability ratios reflect strong financial health: its Operating Profit Margin of 12.29% indicates effective cost management, while the Net Profit Margin of 11.10% shows solid profitability. The Cash Flow Margin of 14.46% highlights strong cash generation, and the Return on Equity (ROE) of 39.50% demonstrates efficient use of equity to generate returns. With an EBITDA Margin of 13.93% and a Debt/EBITDA ratio of 1.24, Nike shows moderate leverage and strong earnings potential, making it an attractive investment.**

#### **Lululemon (LULU) 2024:**

\*Values in thousands (\$)

- **Operating Profit Margin:**
  - **Formula:** Operating Profit / Net Sales
  - **Data:** Operating Profit: \$2,132,676; Net Sales: \$9,619,278
  - **Calculation:**  $\$2,132,676 / \$9,619,278 = 0.2217$ , or **22.17%**
  - This shows that for every dollar of sales, Lululemon generates 22.17 cents in operating profit. It reflects the company's operational efficiency in turning sales into profit, indicating solid management of production and operating expenses.
- **Net Profit Margin:**
  - **Formula:** Net Profit / Net Sales
  - **Data:** Net Profit: \$1,550,190; Net Sales: \$9,619,278
  - **Calculation:**  $\$1,550,190 / \$9,619,278 = 0.1612$ , or **16.12%**
  - This means that for every dollar of sales, Lululemon earns 16.12 cents in net profit after accounting for all expenses, taxes, and interest. It's an indicator of the overall profitability of the company, including how well it controls costs beyond just operations.

- **Cash Flow Margin:**
  - **Formula:** Cash Flow from Operating Net Sales
  - **Data:** Cash Flow from Operations: \$2,296,164; Net Sales: \$9,619,278
  - **Calculation:**  $\$2,296,164 / \$9,619,278 = 0.2387$ , or **23.87%**
  - This indicates that for every dollar of sales, Lululemon generates 23.87 cents in cash from operations. It highlights the company's ability to convert sales into actual cash flow, which is crucial for funding operations, investments, and paying off debt.
- **Return on Equity:**
  - **Formula:** Net Earnings / Stockholders' Equity
  - **Data:** Net Earnings: \$1,550,190; Shareholders' Equity: \$4,232,081
  - **Calculation:**  $\$1,550,190 / \$4,232,081 = 0.3663$ , or **36.63%**
  - This means that Lululemon generates 36.63% in net earnings for every dollar of shareholders' equity. It measures how effectively the company uses equity investments to generate profit, showing strong financial returns for its investors.
- **EBITDA:**  $2,132,676 + 379,382 = \mathbf{2,512,058}$
- **EBITDA Margins:**  $2,512,058 / 9,619,278 = \mathbf{26.11\%}$ 
  - Shows it retains about 26.11% of its revenue as earnings before interest, taxes, depreciation, and amortization.
- **Debt/EBITDA Ratios:**  $1,403,282 / 2,512,058 = \mathbf{0.56}$ 
  - This ratio indicates that Lululemon's total debt is .56 times its EBITDA.

**Lululemon has strong profitability with an operating profit margin of 22.17%, a net profit margin of 16.12%, and low debt. However, Nike outperforms with higher return on equity (39.50%) and cash flow margin (14.46%), alongside solid profitability and a balanced debt level (Debt/EBITDA ratio of 1.24). Nike's financial strength and efficiency make it a more attractive investment option.**

### Liquidity Ratios:

- **Current Ratio:** Current Assets / Current Liabilities
- **Quick Ratio:** (Current Assets - Inventory) / Current Liabilities
- **Cash Ratio:** Cash & Cash Equivalents / Current Liabilities
- **Operating Cash Ratio:** Operating Cash Flow / Current Liabilities

**Nike (NKE):**

\*Values in millions (\$)

**2024:**

- **Current Ratio:**  $25,382/10,593 = 2.40$ 
  - This means Nike has \$2.40 in current assets for every \$1 in current liabilities, indicating strong short-term liquidity.
- **Quick Ratio:**  $(25,382-7,519)/10,593 = 1.69$ 
  - By excluding inventory, this shows Nike has \$1.69 in liquid assets per \$1 in current liabilities, still a solid liquidity position.
- **Cash Ratio:**  $9,860/10,593 = 0.93$ 
  - Nike has \$0.93 in cash and equivalents for every \$1 of short-term liabilities, meaning it can cover nearly all short-term debts with cash alone.
- **Operating Cash Ratio:**  $7,429/10,593 = 0.70$ 
  - Nike generates \$0.70 in operating cash flow for every \$1 in current liabilities, showing its ability to meet short-term obligations through its operations.

These ratios indicate the company's ability to cover short-term liabilities with its assets and cash flow. This suggests financial stability and operational efficiency, making Nike a reliable investment choice for shareholders.

#### 2023:

- **Current Ratio:**  $25,202/9,256 = 2.72$ 
  - This means Nike has \$2.72 in current assets for every \$1 in current liabilities, indicating strong short-term liquidity.
- **Quick Ratio:**  $(25,202-8,454)/9,256 = 1.81$ 
  - By excluding inventory, this shows Nike has \$1.81 in liquid assets per \$1 in current liabilities, still a solid liquidity position.
- **Cash Ratio:**  $7,441/9,256 = 0.80$ 
  - Nike has \$0.80 in cash and equivalents for every \$1 of short-term liabilities, meaning it can cover nearly all short-term debts with cash alone.
- **Operating Cash Ratio:**  $5,841/9,256 = 0.63$ 
  - Nike generates \$0.63 in operating cash flow for every \$1 in current liabilities, showing its ability to meet short-term obligations through its operations.

**In 2023, Nike also had strong liquidity ratios. Although slightly lower than 2024, these ratios still demonstrate Nike's capacity to meet short-term obligations and manage cash effectively, reinforcing its attractiveness to investors.**

#### Lululemon Athletica (LULU):

\*Values in thousands (\$)

#### 2024:

- **Current Ratio:**  $4,060,577 / 1,631,261 = 2.49$ 
  - This ratio shows that Lululemon has \$2.49 in current assets for every \$1 in current liabilities.
- **Quick Ratio:**  $(4,060,577 - 1,323,602) / 1,631,261 = 1.68$ 
  - This shows Lululemon has \$1.68 in liquid assets (excluding inventory) for every \$1 in current liabilities.
- **Cash Ratio:**  $2,243,971 / 1,631,261 = 1.38$ 
  - This shows Lululemon has \$1.38 in cash for every \$1 in short-term liabilities.
- **Operating Cash Ratio:**  $2,296,164 / 1,631,261 = 1.41$ 
  - This shows Lululemon generates \$1.41 in cash from operations for every \$1 of short-term liabilities.

#### 2023:

- **Current Ratio:**  $3,159,453 / 1,492,198 = 2.12$ 
  - Similar to 2024, this indicates that Lululemon has more than double the amount of current assets compared to its short-term liabilities.
- **Quick Ratio:**  $(3,159,453 - 1,447,367) / 1,492,198 = 1.15$ 
  - This is still above 1, meaning Lululemon can meet its short-term obligations even without considering inventory.
- **Cash Ratio:**  $1,154,867 / 1,492,198 = 0.77$ 
  - This shows Lululemon had enough cash to cover 77% of its short-term liabilities.
- **Operating Cash Ratio:**  $966,463 / 1,492,198 = 0.65$ 
  - This ratio shows that Lululemon generated 65% of the cash needed to meet its short-term obligations from operations.

**Nike is the stronger investment due to its stable liquidity, diversified revenue streams, and global market dominance. While both companies have strong current ratios, Nike's higher quick ratio (1.69 vs. 1.68 in 2024) and consistent cash reserves make it more financially flexible. Though Lululemon has a higher operating cash ratio, Nike's brand strength, scale, and predictable financials provide long-term stability. With a global presence, strong sponsorship deals, and steady cash flow, Nike is the safer, more strategic choice for investors.**

#### Leverage Ratios:

- **Debt Ratio:** Total Liabilities / Total Assets
- **Debt to Equity Ratio :** Total Liabilities / Stockholders Equity
- **Operating Cash Flow to Total Debt Ratio:** Operating Cash Flow / Total Debt



## Nike (NKE)

\*Values in millions (\$)

- **2024:**

- **Debt Ratio:**  $(10,593+7,903+2,566+2,618)/38,110 = 0.62$ 
  - This indicates that 62% of Nike's assets are financed through debt, showing a relatively high reliance on debt.
- **Debt to Equity Ratio:**  $(10,593+7,903+2,566+2,618)/14,430 = 1.64$ 
  - This suggests that for every dollar of equity, Nike has \$1.64 in debt, indicating a moderately leveraged structure.

**EBIT:** Gross Profit - Operating Expenses:  $22,887 - 16,576 = 6,311$

- **Operating Cash Flow to Total Debt Ratio:**  $7,429 / (1,000 + 7,903) = 0.83$ 
  - Nike generates 83 cents in operating cash flow for every dollar of debt, indicating a strong ability to repay debt with cash flow.

- **2023:**

- **Debt Ratio:**  $(9,256+8,927+2,786+2,558)/37,531 = 0.63$ 
  - This indicates that 63% of Nike's assets are financed through debt, which is slightly higher than 2024, reflecting a higher reliance on debt.
- **Debt to Equity Ratio:**  $(9,256+8,927+2,786+2,558)/14,004 = 1.68$ 
  - This suggests that for every dollar of equity, Nike has \$1.68 in debt, indicating a moderately leveraged capital structure.

**EBIT:** Gross Profit - Operating Expenses:  $22,292 - 16,377 = 5,915$

- **Operating Cash Flow to Total Debt Ratio:**  $5,841 / (0 + 8,927) = 0.65$ 
  - Nike generates 65 cents in operating cash flow for every dollar of debt, showing a solid ability to repay debt with cash flow.

Nike's 2024 ratios show a balanced but moderate reliance on debt, with a debt ratio of 0.62 and a debt-to-equity ratio of 1.64. Despite this, Nike is highly capable of covering its interest expenses with an interest coverage ratio of 39.2 and generates strong operating cash flow, with 83 cents in cash flow for every dollar of debt. In 2023, while the debt ratio rose slightly to 0.63 and the debt-to-equity ratio increased to 1.68. Nike's solid cash flow position (0.65 for 2023) also highlights its strong debt repayment capacity, making it an attractive investment.

### Lululemon Athletica (LULU):

\*Values in thousands (\$)

- **2024:**
  - **Debt Ratio:**  $2,859,860 / 7,091,941 = 0.40$ 
    - The debt ratio indicates 40% of the company's assets are financed by debt.
  - **Debt to Equity Ratio:**  $2,859,860 / 4,232,081 = 0.68$ 
    - The company has \$0.68 in debt for every \$1 of equity.
  - **Operating Cash Flow to Total Debt Ratio:**  $2,296,164 / 1,403,282 = 1.64$ 
    - Lululemon generates \$1.64 in operating cash flow for every \$1 of debt.
- **2023:**
  - **Debt Ratio:**  $2,458,239 / 5,607,038 = 0.44$ 
    - The debt ratio indicates 44% of the company's assets are financed by debt.
  - **Debt to Equity Ratio:**  $2,458,239 / 3,148,799 = 0.78$ 
    - The company has \$0.78 in debt for every \$1 of equity.
  - **Operating Cash Flow to Total Debt Ratio:**  $966,463 / 1,070,334 = 0.90$ 
    - Lululemon generates \$0.90 in operating cash flow for every \$1 of debt.

Lululemon's 2024 debt ratios suggest a moderate reliance on debt, with a debt ratio of 0.40 and a debt-to-equity ratio of 0.68, indicating lower leverage compared to Nike. Lululemon also generates strong operating cash flow, with \$1.64 in cash flow for every dollar of debt. In 2023, the debt ratio increased slightly to 0.44, and its cash flow to debt ratio decreased to 0.90. Nike, with higher interest coverage (39.2 in 2024) and stronger cash flow (0.83 for 2024), has more financial flexibility to manage debt and interest expenses, making it a more attractive investment.

### Market Valuations

Sources: [Nike](#) and [Lululemon](#) 2024 10-K forms and Yahoo Finance for Stock Prices for [Nike](#) and [Lululemon](#)

### Nike (NKE):

- Closing Stock Price as of May 31, 2024: \$95.05
- Total Outstanding Shares (in millions) as of June 31, 2024: 298 (Class A) + 1,205 (Class B) = 1.503 billion shares
- **Market Capitalization:**  $95.05 * 1.503 = 142.9 \text{ billion}$ 
  - Based on Nike's market capitalization they would be considered as a large-cap company.
- **Diluted Earnings Per Share (EPS):** \$3.73
- **P/E Ratio:**  $95.05 / 3.73 = 25.5$ 
  - This high ratio indicates that investors have strong confidence in Nike and are willing to pay a premium for its stock. Investors have high expectations for the company's future growth and performance. This shows they are willing to contribute more capital now in exchange for the potential of higher returns in the future.
- **Dividend Yield in 2024:** 1.2%
  - This means that for every \$100 invested in Nike's stock, one can expect to receive \$1.20 in dividends over the course of the year.
  - While the dividend yield may appear modest, it has steadily increased over the past three years, rising from 0.8% in 2022 to 0.9% in 2023, and now 1.2% in 2024. This demonstrates not only consistency in payouts but also a positive trend in increasing shareholder returns.
  - Nike's dividend yield of 1.2% might seem lower compared to other stocks, but it's a clear indication that the company is focused on long-term growth. Rather than paying out higher dividends, Nike reinvests its earnings into expanding its global presence, driving innovation in products, and maintaining leadership in the sportswear industry. For investors who are looking for long-term growth rather than short-term income, Nike's ability to grow its stock price through reinvestment could offer far greater returns in the future.
- **Stock Price History:** \$102.20 (Jan 1, 2020) and \$75.67 (Dec 31, 2024)
  - $\frac{75.67 - 102.20}{102.20} * 100 = -25.96\%$
  - While Nike's stock has decreased from 2020 to 2024, it's important to recognize that the company is fundamentally strong with a resilient brand and market-leading innovations. The decline in stock price is largely attributed to broader economic conditions such as the Covid-19 pandemic.
  - As with many businesses, Nike's stock price was impacted by the pandemic, which disrupted global supply chains, retail operations, and consumer spending. This decline is not surprising given the broader

economic challenges faced across industries. However, it is important to recognize that despite these economic uncertainties, Nike has remained a leader in the athletic wear industry. Furthermore, Nike demonstrated its commitment to corporate social responsibility by [significantly contributing to COVID-19 relief efforts](#). This included donating to frontline workers and supporting food banks, both domestically and globally. These efforts reflect Nike's values and its long-standing dedication to supporting communities in times of crisis.

### **Lululemon Athletica (LULU):**

- Closing Stock Price as of March 15, 2024: \$464.94
- Total Outstanding in Shares as of March 15, 2024: 120,892,132
- Market Capitalization:  $464.94 * 120,892,132 = 56.2 \text{ billion}$ 
  - Based on Lululemon market capitalization they would also be considered as a large-cap company.
- **Diluted Earnings Per Share (EPS):** \$12.20
- **P/E Ratio:**  $\frac{464.94}{12.20} = 38.1$ 
  - Lululemon's P/E ratio is higher than Nike's, which can be attributed to its recent surge in popularity, particularly in women's athletic wear. Investors are likely willing to pay a premium for Lululemon's stock, anticipating higher future returns as the company remains relatively young and at the peak of its popularity. This reflects the growth potential investors see in the brand.
  - While Lululemon shows an impressive growth and popularity in the athletic wear market, it's important to consider the risks tied to investing in a company still in its high-growth phase. Founded in 1998, Lululemon is relatively young and has gained significant traction by capitalizing on the trend of women wearing its designs for both athletic and fashion purposes. However, trends can be fleeting, and the brand is [already facing increasing competition in the space](#). In contrast, Nike benefits from an established market position, a diversified product portfolio, and a strong global presence, offering a more stable investment. Although Lululemon presents higher growth prospects, Nike's proven stability and resilience in navigating market challenges make it a more reliable choice for investors seeking long-term, consistent returns.
- **Dividend Yield:** Lululemon stated in their 2024 10-K form that, "We do not anticipate paying any cash dividends on our common stock in the foreseeable future."
  - Lululemon's decision not to pay dividends is likely driven by its focus on reinvesting earnings to fuel business expansion, innovation, and market growth. Since it is a relatively young company in a high-growth

phase, Lululemon likely prioritizes using its revenue to strengthen its market position, develop new products, and expand its global footprint. Rather than distributing profits through dividends, Lululemon likely aims to deliver returns to shareholders through stock price appreciation as the company continues to grow.

- Unlike Lululemon, Nike offers dividends to its investors, providing a steady stream of income in addition to potential capital appreciation. For investors seeking immediate returns or a more stable investment, Nike's established track record of paying dividends can be a compelling reason to choose Nike over Lululemon.
- **Stock Price History:** \$233.42 (Jan 2, 2020) and \$382.41 (Dec 31, 2024)
  - $\frac{382.41 - 233.42}{233.42} * 100 = 63.83\%$
  - Lululemon has experienced a significant increase in stock price, which is expected given its current popularity in the athletic wear market. However, as mentioned earlier, Lululemon does not offer dividends, and compared to Nike, its stock is significantly more expensive. For investors who prefer a more affordable stock price and the added benefit of cash returns through dividends, Nike presents a more attractive investment option.

## Industry Specific Metrics:

Sources: [Nike](#) and [Lululemon](#) 2024 - 2022 10-K forms from SEC website

### Nike (NKE):

- **Inventory Turnover Ratio:**
  - **Formula:** Cost of Goods (COGS) / Average Inventory
    - Average Inventory = (2024 Inventory + 2023 Inventory) / 2
- **Data from 2024-2022 10-K forms:**
  - Cost of Sales (in millions): 28,475 (2024), 28,925 (2023), 25,231 (2022)
  - Inventory (in millions): 7,519 (2024), 8,454 (2023) and 8,420 (2022), 6,854 (2021)
  - **Average Inventory:**
    - $\frac{(7,519 + 8,454)}{2} = 7,986.5$  (2024-2023)
    - $\frac{(8,454 + 8,420)}{2} = 8,437$  (2023-2022)
    - $\frac{(8,420 + 6,854)}{2} = 7,637$  (2022-2021)
  - **Results:**
    - $\frac{28,475}{7,986.5} = 3.57$  (2024)
    - $\frac{28,925}{8,437} = 3.43$  (2023)

$$\blacksquare \frac{25,231}{7,637} = 3.30 \text{ (2022)}$$

- Nike's inventory turnover ratio has shown a steady increase over the past three years. This upward trend indicates that Nike is becoming more efficient at managing its inventory, selling and replacing stock more frequently each year.
- A higher turnover ratio suggests strong product demand, improved inventory management, and reduced storage costs. It also means Nike is better aligning production with sales, minimizing the risk of excess inventory.

- **Marketing Spend as a Percentage of Revenue:**

- **Formula:** "Demand Creation Expense" / total Revenue \* 100
- **Data from 2024 10-K:**
  - As indicated by Nike, "Demand creation expense consists of advertising and promotion costs, including costs of endorsement contracts, complimentary product, television, digital and print advertising and media costs, brand events and retail brand presentation."
  - Demand Creation Expense (in millions): 4,285 (2024), 4,060 (2023), and 3,850 (2022)
  - Total Revenue (in millions): 51,362 (2024), 51,217 (2023) and 46,710 (2022)
- **Results:**
  - $\frac{4,285}{51,362} * 100 = 8.34\% \text{ (2024)}$
  - $\frac{4,060}{51,217} * 100 = 7.93\% \text{ (2023)}$
  - $\frac{3,850}{46,710} * 100 = 8.24\% \text{ (2022)}$
- Nike's marketing spend as a percentage of revenue has remained stable around 8% over the last few years, with a slight increase in 2024.
- This suggests a consistent and efficient marketing strategy, likely supporting brand strength and new initiatives. The small increase in 2024 may reflect increased marketing efforts as they stated in their 2024 10-K, "Demand creation expense increased 6% for fiscal 2024, primarily due to higher advertising and marketing expense, digital marketing and sports marketing expense."

- **Revenue Breakdown by Product Category (%):**

- **Formula:** Each athletic wear category revenue / total Revenue \*100
- **Data from 2024 10-K:**
  - **Footwear (in millions):** 33,427 (2024), 33,135 (2023), and 29,143 (2022)
  - **Apparel (in millions):** 13,755 (2024), 13,843 (2023), and 13,567 (2022)

- **Equipment (in millions):** 2,075 (2024), 1,727 (2023), and 1,624 (2022)
- **Total Revenue (in millions):** 51,362 (2024), 51,217 (2023) and 46,710 (2022)
- **Results:**
  - **Foot Wear:**
    - $\frac{33,427}{51,362} * 100 = 65.08\% \text{ (2024)}$
    - $\frac{33,135}{51,217} * 100 = 64.70\% \text{ (2023)}$
    - $\frac{29,143}{46,710} * 100 = 62.39\% \text{ (2022)}$
  - **Apparel:**
    - $\frac{13,755}{51,362} * 100 = 26.78\% \text{ (2024)}$
    - $\frac{13,843}{51,217} * 100 = 27.03\% \text{ (2023)}$
    - $\frac{13,567}{46,710} * 100 = 29.05\% \text{ (2022)}$
  - **Equipment:**
    - $\frac{2,075}{51,362} * 100 = 4.04\% \text{ (2024)}$
    - $\frac{1,727}{51,217} * 100 = 3.37\% \text{ (2023)}$
    - $\frac{1,624}{46,710} * 100 = 3.48\% \text{ (2022)}$
- From 2022 to 2024, Footwear consistently made up the largest portion of Nike's revenue, contributing over 60% each year. Apparel followed as the second-largest category.. Equipment remained a smaller contributor, though its percentage of total revenue saw a small increase in 2024. These figures highlight that Footwear remains Nike's dominant revenue driver, which makes sense as they are primarily known for their shoe brand.

### Lululemon Athletica (LULU):

- **Inventory Turnover Ratio:**
  - **Formula:** Cost of Goods (COGS) / Average Inventory
    - Average Inventory = (2024 Inventory + 2023 Inventory) / 2
  - **Data from 2024-2022 10-K forms:**
    - Cost of Goods (in thousands): 4,009,873 (2024), 3,618,178 (2023), 2,648,052 (2022)
    - Inventory (in thousands): 1,323,602 (2024), 1,447,367 (2023), 966,481 (2022) and 647,230 (2021)
  - **Average Inventory:**
    - $\frac{1,323,602+1,447,367}{2} = 1,385,484.5 \text{ (2024-2023)}$
    - $\frac{1,447,367+966,481}{2} = 1,206,924 \text{ (2023-2022)}$

$$\blacksquare \frac{966,481+647,230}{2} = 806,855.5 \text{ (2022-2021)}$$

○ **Results:**

$$\blacksquare \frac{4,009,873}{1,385,484.5} = 2.89 \text{ (2024)}$$

$$\blacksquare \frac{3,618,178}{1,206,924} = 3.00 \text{ (2023)}$$

$$\blacksquare \frac{2,648,052}{806,855.5} = 3.28 \text{ (2022)}$$

- Lululemon's inventory turnover rate has declined from 2022 to 2024, indicating that inventory is sitting longer before being sold. This could suggest slower demand, increased stock levels, or changes in inventory management. Compared to fast-fashion brands, Lululemon's turnover is relatively low, aligning more with its premium pricing strategy and slower-moving luxury products.

● **Marketing Spend as a Percentage of Revenue:**

- **Formula:** "Advertising and Marketing Costs" / Revenue

○ **Data from 2024 10-K:**

■ Advertising and Marketing Costs (in millions): 429.7 (2023), 328.6 (2022), and 297.5 (2021)

■ Total Revenue (in thousands): 9,619,278 (2023), 8,110,518 (2022) and 6,256,617 (2021)

○ **Results:**

$$\blacksquare \frac{429.7}{9,619.3} = 4.47\% \text{ (2023)}$$

$$\blacksquare \frac{328.6}{8,110.5} = 4.05\% \text{ (2022)}$$

$$\blacksquare \frac{297.5}{6,256.6} = 4.75\% \text{ (2021)}$$

- The increase in 2023 suggests higher investment in brand awareness, digital marketing, or community engagement as revenue grew. Despite this, Lululemon maintains a lower marketing spend compared to competitors like Nike, likely due to its strong brand loyalty and organic marketing approach rather than heavy ad spending.

● **Revenue Breakdown by Product Category (%):**

- I was unable to find a reliable source that provides a detailed breakdown of Lululemon's revenue by inventory category.
- I found in terms of their business structure according to Investopedia, "Lululemon is a yoga and exercise apparel company, whose business strategy is based on marketing a lifestyle rather than a product."
- "The company's offerings include articles of clothing such as pants, tops, shorts, and jackets that people can wear as they engage in fitness activities such as running and yoga. In addition to clothing, the company also sells accessories such as bags, socks, and yoga mats."



- “The company also entered new categories with capsule collections for golf, tennis, and hiking. It also launched a new footwear collection for women.” This was back in 2022

### **Conclusion:**

After analyzing Nike’s industry position, revenue growth, balance sheets, and financial metrics, we believe Nike is the stronger investment. As a global leader in sportswear, Nike benefits from a diversified revenue stream across footwear, apparel, and accessories. Its global reach and high-profile sponsorships give it a lasting competitive advantage.

In contrast, Lululemon operates in a niche market, primarily focused on premium activewear. As Investopedia states, “Lululemon is a yoga and exercise apparel company, whose business strategy is based on marketing a lifestyle rather than a product.” While it has expanded into men’s wear and performance footwear—launching its first running shoe, Blissfeel, in 2022—it remains a younger company introducing new products with uncertain success. The Financial Times notes that Lululemon now offers apparel for various sports, but it still faces risks as it moves beyond its core market. Also recent data suggests Lululemon’s growth is slowing. A Reuters report highlights that while expanding product offerings may attract new customers, it could alienate core buyers. Additionally, the brand’s reliance on higher-income consumers makes it more vulnerable to economic shifts.

Nike, on the other hand, has been a dominant force since 1964. Despite market fluctuations, Investing.com affirms it remains the highest-earning brand in the sports industry. Its extensive sponsorships and global presence ensure it will remain a top competitor.

Given Nike’s stability and long-term growth potential, it presents a strong investment opportunity. As of March 4th, 2025, Nike's stock price stands at \$77.32 per share, making it a far more accessible option than Lululemon’s \$345.29 per share. Investors may choose to wait for a further price dip depending on their investment goals and budget. However, when comparing the two, Nike presents a more attractive and affordable opportunity for investment.

## **Sources:**

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